# The Dynamics of Retail Oligopoly

by: Arie Beresteanu and Paul B. Ellickson (Duke Univ.)

Discussant: Adam Copeland, BEA

**Summary**

1. Main question: Within the retail grocery sector, what is the impact of banning "Supercenters" on consumer welfare (and market structure and profits).
2. Method: BBL - the latest IO technique aimed at analyzing dynamic problems, such as the evolution of an industry (entry/exit decisions, etc).
3. Results: Preliminary paper with most parameters estimated, still working on counterfactuals where Supercenters are banned.

**Comments**

When filling in paper, provide more details connecting model and industry.

1. The spatial dimension of retail expansion often stressed (e.g. Walmart's "viral" expansion). What about this model?
2. Are decisions to open or invest in Supercenters dictated by grocery sales?
3. Are not Supercenter bans justified by the fear that a variety of small stores will go bankrupt? How much of the Supercenters' welfare impacts is the model capturing?

## Comments

More detail and justification on the demand estimation

- Only have prices for 2004. Regress price on instruments for that one year.
- Get predicted price for 1997-2003 years using those coefficients. When is this valid?
- From the demand estimation, back out an unobserved characteristic, denoted “quality”. In model, assume that there is no serial correlation in quality. Does this hold?